

Message Text

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44

ACTION AGR-08

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 OMB-01 TAR-01

TRSE-00 STR-01 CIAE-00 INR-07 NSAE-00 RSC-01 AID-05

/038 W

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R 141400Z JAN 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 7282

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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PASS USDA

E.O. 11652: N/A

TAGS: EAGR, ETRD, BR

SUBJECT: FUTURES TRADING IN AGRICULTURAL COMMODITIES

1. MINISTER OF FINANCE SIMONSEN SHORTLY BEFORE HIS DEPARTURE FOR WASHINGTON, D.C. STATED THAT HE SEES NO MAJOR DIFFICULTIES CHANGING THE PRESENT LEGISLATION (BASED ON RESOLUTION NO. 272 OF THE CENTRAL BANK AND BY COMMUNICATION CECAM NO. 229) TO ALLOW BRAZILIAN COFFEE EXPORTERS TO PARTICIPATE IN FUTURES TRADING IN FOREIGN MARKETS.

2. COFFEE, SUGAR AND SOYA, AMONST BRAZIL'S BULK AGRICULTURAL COMMODITIES ARE CURRENTLY PROHIBITED TO BE TRADED IN FOREIGN FUTURES MARKETS WHILE GOB CONTROLS BOTH PROFITS AND RISKS ON EXPORT TRADING.

3. IT WAS POINTED OUT IN THE PRESS (JOURNAL DO BRASIL) THAT FOREIGN TRADERS PRESENTLY HAVE AN ADVANTAGE OVER BRAZILIAN TRADERS BECAUSE OF THEIR ABILITY TO SWIFTLY USE FUTURES TRADING TO MITIGATE THEIR RISKS AND TRADE POSITIONS.

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4. OBSERVATION: BRAZIL STILL LACKS COMMUNICATION SYSTEM,

BANKING SUPPORT ABILITY, SUPPORT, EVERDAY TRADING QUOTE
SPECULATORS UNQTE, AND GRADING AND DELIVERY POINTS TO ENABLE
IT TO OPEN VIABLE FUTURES MARKETS. HOWEVER, BOTH STOCK
EXCHANGES IN RIO DE JANEIRO AND IN SAO PAULO VIVIDLY
INTERESTED IN ESTABLISHING FUTURES MARKETS SUPPORTED BY PRIVATE
TRADING COMPANIES AMONGST WHICH THE BIG FIVE IN CEREALS.

5. AS BRAZIL DEVELOPS INTO A SUBSTANTIAL AGRICULTURAL EXPORTER
AND IN VIEW OF THE AS YET STRINGENT GOVERNMENTAL CONTROLS ON
EXPORTS/IMPORTS OF BULK AGRICULTURAL COMMODITIES (EXCEPT COCOA
FOR WHICH FUTURES TRADING IS PERMITTED) IT WOULD BE HELPFUL TO
US/BRAZIL COMBINED POSITIONS IN WORLD MARKETS IF FUTURES
TRADING WERE STIMULATED IN BRAZIL.

6. USDA MIGHT WANT TO DISCUSS ABOVE WITH FRED UHLMANN, PRESIDENT
CHICAGO BOARD OF TRADE WHO PARTICIPATED IN RIO FUTURES TRADING
SEMINAR LAST OCTOBER AND WELL INFORMED ABOUT BRAZIL'S POSITION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, PRESS COMMENTS, COFFEE, AGRICULTURAL COMMODITIES, EXPORTERS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BRASIL00355
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750014-0165
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750155/aaaabvxn.tel
Line Count: 80
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 03 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 SEP 2003 by BoyleJA>; APPROVED <04 SEP 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FUTURES TRADING IN AGRICULTURAL COMMODITIES
TAGS: EAGR, ETRD, BR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006